



CardScan www.cardscan.com

Looking for a better way to manage your business con

search



5:56 AM PDT, May 17, 2006

JOBS CARS REAL ESTAT



Business News

Print E-mail s

CYNDIA ZWAHLIN:
SMALL BUSINESS REPORT

Manufacturers go 'lean' to become more efficient

By streamlining their operations, some companies see costs drop and output rise.

May 16 2006

Despite sales of almost \$100 million a year, Torrance manufacturer Pelican Products Inc. ran its plant like a low-cost start-up: Picnic table workstations lined the factory floor. Workers handed parts back and forth. To clear room for work, employees loaded pallets of inventory into the parking lot each morning.

"We were founded in a garage and we still did things with a garage-type mentality, only 26 years later it was a much bigger garage," said John Padian, chief operating officer at the maker of waterproof plastic cases and high-tech flashlights.

ADVERTISEMENT



Pelican overhauled its production line four years ago, implementing "lean manufacturing" principles. Daily working capital requirements plummeted 70%. Productivity soared. Annual sales hit \$105 million in fiscal 2005.

Professional audio gear maker Anchor Audio Inc., another decades-old Torrance garage start-up, recently made a similar move. Improved efficiency enabled the company to trim its workforce by more than half, increase production volume by 40% and free up money to invest in product development, owner David Jacobs said.

Manufacturers that hope to thrive in California's high-cost, heavily regulated business environment can learn from Anchor and Pelican. Both companies look to trim fat from every corner of their operations, allowing them to invest in innovation.

"To survive today you have to move faster because there is always somebody out there trying to figure out how to make your product better, faster or cheaper," said David Braunstein, chief executive of Torrance-based California Manufacturing Technology Consulting, a not-for-profit organization whose clients include Anchor and Pelican.

Manufacturing is a vital piece of the state's economic health. Factory jobs have traditionally been the ticket to the middle class for many workers. Each manufacturing job represents three to five additional jobs in the local economy, the consulting organization said.

But the sector is struggling, Braunstein said. Although Southern California would still be

HOME

Site Map

Business

Advertising

Money & Investing

Technology

Video Games

Work & Career

Business Tools

Investor Tips & Tools

Law Resources

Money Library

Money Q & A

Bank Rates

Press Releases

NEWS

California | Local

National

World

Entertainment News

Business

Sports

Politics

Opinion

Columnists

Print Edition

RSS What is RSS?

Calendarlive

Travel

West Magazine

House & Garden

Health

Food

Car Culture

Obituaries

Crossword, Sudoku

All Sections

Corrections

BUY, SELL & MORE

Jobs

Cars

Real Estate

Apartments

Personals

Deals at Local Stores

**Coupons
Newspaper Ads**
[PLACE AN AD](#)
MEMBER SERVICES

[Sign Up](#)
[Log In](#)
[Help](#)
[Contact Us](#)
[L.A. Times Archives](#)

HOME DELIVERY

[Customer Support](#)
[Subscribe to L.A. Times](#)

LOCAL ADS [Buy a link](#)

Tomorrows Hot Stock Picks

Hot Stock Picks, Tips, Penny Stocks, and Investment Ideas.
www.RocketStockPicks...

Lasik Los Angeles

Thinking About LASIK Surgery? Find LASIK Eye Surgeons in Los Angeles!
lasiklosangeles.us

the nation's largest manufacturing state based on the number of manufacturing jobs here, according to the Los Angeles County Economic Development Corp., the numbers have declined sharply. Los Angeles County has lost 410,800 manufacturing jobs in the last 15 years.

Small and medium-sized manufacturers such as Anchor and Pelican can have an especially tough time dealing with rising costs and overseas competition. They don't typically have the resources of larger companies, including staff experts such as manufacturing engineers.

That's one reason the productivity gap between small and large manufacturers has increased, Braunstein said.

Teaching the principles of lean manufacturing, which moves a product rapidly through a plant from start to finish to reduce excess inventory of goods and raw materials, is one of the key programs of California Manufacturing Technology, one of 52 federally subsidized manufacturing resource centers.

"Probably a quarter or less of the manufacturers in Southern California use it, so there is potential for a lot more improvement," Braunstein said. He estimates the average return on investment in the process is two to four times its cost over the first couple of years.

Privately held Pelican had been cushioned against the cost of its inefficient operations for years, relying on a stream of new products and its high-end niche to drive sales and protect earnings.

Even growing pressure from international competitors and the expense of doing business in California was not strong enough to force the company to cut costs by sending its local manufacturing jobs to cheaper markets overseas.

"'Made in the USA' is one of our biggest selling points" and is appreciated by customers including police departments, firefighters and the U.S. military, Padian said.

Maintaining that designation, though, has become increasingly expensive as the rising costs of labor, healthcare, real estate and energy squeeze cash flows.

"It became pretty clear to us that we would have to become more sophisticated on the manufacturing side," he said.

Pelican's lean manufacturing initiative enabled the company to make more products with fewer workers. One example: It increased output by 50% on its line of popular Sabrelight flashlights while trimming the number of workers needed to build the items by 40%.

Pelican has avoided layoffs by shifting the extra workers to new products.

"New products have probably accounted for 15% of our annual 20% growth in sales," said David Parker, the company's founder. The 69-year-old chief executive recently sold the business for \$192.5 million to Behrman Capital of San Francisco, a private equity firm.

Today, Pelican is no longer bursting at the seams, having streamlined manufacturing and eliminated extra inventory. A conveyer belt has replaced the picnic tables and employees no longer have to stash overflow stock in the parking lot.

At Anchor, with the help of the manufacturing consulting group, products have been redesigned so they can be produced faster and more cheaply.

For example, by designing its circuit boards with surface-mount technology, instead of using wires to hold them together, the company cut the number of boards in one of its products from three to one. That saved material, manufacturing time and testing time, Jacobs said.

"I didn't realize how powerful lean manufacturing was," he said. "It surprised me that it

was as dramatic a change in our cost structure as we got."

The 75-employee company, whose clients include the White House and Camp Pendleton, has held its direct labor costs to only 7% to 8% of its total costs, said Jacobs, a former chairman of the consulting organization.

"That's so low it doesn't allow even China to capture market share," he said.

Anchor is now working with key suppliers to streamline their manufacturing processes, with the goal of saving money for them and itself.

"In order to survive in California it is incumbent upon us to reduce our cost structure," Jacobs said.

Manufacturing was one of several areas targeted to control costs. The company also changed its distribution system by eliminating independent sales representatives in favor of working directly with dealers. As a result, Jacobs said, costs have fallen and sales have risen.

Pelican, too, is keeping its eye on the horizon, where it sees more foreign competition emerging.

The latest version of the company's three-year strategic plan emphasizes manufacturing at a continually lower cost, month over month and year over year, so it can afford to cut prices and invest in innovation.

"We are trying to be the dog," Pelican's Padian said, "not the tail."

MOST E-MAILED

- [God's Call Comes by Cellphone](#)
- [A Red Hot Chili Day at Tommy's](#)
- [PC textbooks full of skewed history](#)

MORE BUSINESS NEWS

- [Word of Mouth Spreading Peanut Milk](#)
- [More Signs of Housing Cool-Down](#)
- [Passionate Pitch by Enron Defense](#)

Ads by Google

What is Lean?

Find out what Lean really is all about!
www.winmanusa.com

Lean Training

World-class training available for Lean topics.
www.bec.msos.edu

Manual Production Systems

Inexpensive, fast lean workstations Free MPScalc design software
www.boschrexroth-us.com/mps

Lean Manufacturing Course

University of Michigan Training 10-Day Certification Program
cpd.engin.umich.edu

Fully Integrated ERP

Movex software for complex supply chains. Ideal for Food & Bev
www.intentia.biz/fb/

PARTNERS:



Copyright 2006 Los Angeles Times | [Privacy Policy](#) | [Terms of Service](#) | [Advertise](#) | [Home De](#)